implementation efforts, and its vigorous enforcement of the law and regulations to ensure compliance, is absolutely critical.

In addition, consistent with WorldCom's position in the access charge reform proceeding, the Commission must take decisive action to begin to move access rates closer to cost. While that process is taking place, WorldCom suggests one possible approach that would bring more immediate benefits to ESPs. Pending the creation of true cost-based rates for all users of interstate access, the Commission could deem ESPs eligible to take interstate service from the ILECs immediately, but priced at the same rate structure and level as the state-tariffed business lines they now utilize. In other words, the business line rates currently paid by ESPs could serve as a proxy rate for interstate access. Under this approach, the ESPs would be allowed to choose whether to continue to use state-tariffed local services, or to use federally-tariffed interstate access arrangements just like other large customers can choose today. This approach would completely avoid any unnecessary and counterproductive "rate shock" to ESPs. Moreover, because the ILECs readily concede that their business rates are compensatory, ESPs should be paying their full cost of accessing the local network, without giving the ILECs an unwarranted access charge windfall.

One further market-based step the Commission could take to encourage network efficiencies is to require the ILECs to provide sub-loop unbundling. This would enable CLECs such as WorldCom to create separate networks to carry data traffic apart from voice traffic. It would also create significant competitive pressures for the ILECs to do the same. Sub-loop

unbundling of the feeder, distribution, remote switches, and line concentrators is technically feasible, and therefore is required by the 1996 Act and the Commission's rules.[37]

By fostering effective competition for the provision of local exchange services, the Commission can provide just what the ILECs need: the firm discipline of the marketplace. No regulatory fix can prove any better at incenting the ILECs to provide new and advanced services to all end users at cost-based rates.

## V. CONCLUSION

The Commission should act in accordance with the recommendations proposed above.

Respectfully submitted,

Catherine R. Sloan
Richard L. Fruchterman
Richard S. Whitt

WORLDCOM, INC.
1120 Connecticut Avenue, N.W.
Suite 400
Washington, D.C. 20036
(202) 776-1550

David N. Porter
WORLDCOM, INC.
1120 Connecticut Avenue, N.W.
Suite 400
Washington, D.C. 20036
(202) 776-1550

Its Attorneys

March 24, 1997

[37] See 47 U.S.C. § 251(c)(3).

# ATTACHMENTS

# PRESS RELEASE

**FOR IMMEDIATE RELEASE**

**CONTACT:** **UUNET:** **WORLDCOM:**

Paula Jagemann
703-206-5888
paula@uu.net

Josh Howell
402-231-3430

Gary Brandt
402-231-3432

## WORLDCOM ANNOUNCES $300 MILLION EXPANSION OF UUNET NETWORK
### High Demand for Internet Services Drives Major Expansion

February 19, 1997 - Fairfax, VA - With dial access demand growing at the rate of over 10% every week and traffic over the backbone almost doubling every quarter, UUNET Technologies, Inc., the largest provider of Internet services in the world and a subsidiary of WorldCom, Inc., announced today that it has initiated the most ambitious network expansion plan in the company's history. UUNET and WorldCom said they will spend approximately $300 million on the expansion and upgrade program in order to meet the dramatic growth in demand projected for 1997. Combining all the elements, this expansion will more than quadruple the available capacity in terms of both backbone bandwidth and dial capacity.

"In terms of schedule, scope and implementation of advanced technology, what we are doing in our network is absolutely unprecedented -- for us or any other ISP," said John Sidgmore, president and CEO of UUNET, and chief operations officer of WorldCom. "The pace of growth in the Internet underscores the importance of ISPs being facilities-based. The recent merger with WorldCom gives UUNET the ability to secure and control the bandwidth necessary to meet our customers' requirements for high-performance service."

UUNET Technologies, a subsidiary of WorldCom, Inc., has built its business and reputation on the availability and robustness of its network. The company currently has approximately 50,000 business customers worldwide, and over 600 high-speed customer connections are added to the network every month. UUNET is also the only ISP with local access in all 50 states, plus the District of Columbia and Puerto Rico. UUNET is the official Internet Access Provider to the Microsoft Network(TM). UUNET also supports GTE, EarthLink Networks, WebTV Networks, Inc. and several other ISPs and on-line service providers.

Over the next six months UUNET will implement a migration of its backbone segments to support the highest speed available today for IP (Internet Protocol) transmission: OC12 (622 million bits per second). This will involve migration of the backbone links to the ATM (Asynchronous Transfer Mode) protocol. ATM is the only proven, currently available technology which supports IP transmission at OC12 speeds. The company will install ASX-200 and ASX-1000 ForeRunner(TM) ATM switches from FORE Systems, Pittsburgh, PA.

To increase the number of dial access ports, the most common means of accessing the Internet, the company will install new generation, high-density MAX TNT remote access concentrators from Ascend Communications, Alameda, Calif. The MAX TNT concentrators, which support both analog and digital dial-up traffic, will be deployed throughout the U.S., Canada, and Puerto Rico. The expansion represents a more than quadrupling of UUNET's dial access infrastructure.

Headquartered in Fairfax, Va., UUNET Technologies, Inc. is the world's largest provider of Internet services, offering a comprehensive range of access options, World Wide Web hosting services, security products and consulting services to businesses, professionals, and on-line service providers. The company's network is comprised of POPs throughout the United States and in Canada, Europe and the

Asia-Pacific region, as well as connections to Internet service providers around the world. Founded in 1987, UUNET is recognized as the first commercial Internet service provider and is a subsidiary of WorldCom Inc. UUNET's World Wide Web address is http://www.uu.net.

WorldCom is a global business telecommunications company. Operating in more than 50 countries, the company is a premier provider of facilities-based and fully integrated local, long distance, international and Internet services. WorldCom subsidiary, UUNET Technologies, Inc., is the world's largest provider of Internet services. WorldCom's World Wide Web address is http://www.wcom.com. The common and depositary shares of WorldCom trade on the Nasdaq National Market (U.S.) under the symbol WCOM and WCOMP, respectively.



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# PRESS RELEASE

**FOR IMMEDIATE RELEASE**


| CONTACT: | UUNET: | WORLDCOM: |
|---|---|---|
| | Paula Jagemann<br>703-206-5888<br>paula@uu.net | Josh Howell<br>402-231-3430<br><br>Gary Brandt<br>402-231-3432 |


## UUNET TO INTRODUCE GLOBAL WEB HOSTING SERVICES

## SERVICE WILL ALLOW COMPANIES TO EASILY PLACE WEB SERVERS IN MULTIPLE GEOGRAPHIC LOCATIONS

March 10, 1997 -- Fairfax, Va., UUNET Technologies, Inc., the world's largest provider of Internet services and a subsidiary of WorldCom, Inc. (NASDAQ: WCOM), today announced it will offer its web hosting customers the ability to host web sites at multiple locations around the world. This service provides UUNET customers with "one-stop shopping" for global hosting services. The key feature of this service offering is that a UUNET customer receives hosting in multiple international locations with a common hardware platform and software configuration.

Global hosting provides a number of customer benefits. Foremost is the capability to utilize bandwidth that is local to a specific country or region. In many regions of the world, the best way to assure sufficient bandwidth to the end user is to host a server in that particular region.

UUNET's first global hosting customer is TN Technologies, the new media division of True North Communications, one of the world's largest advertising agencies, serving clients such as Levi Strauss, SC Johnson, Aramark and Fila. TN Technologies will be using servers hosted in both the U.S. (Fairfax, VA) and the U.K. (London).

"For an international company, a web site has to serve many markets," said Mike Dunn, Technologist of TN Technologies. "UUNET put in place a common infrastructure so that TN Technologies could easily develop this presence."

The UUNET global hosting service leverages UUNET's international scope. The company has focused intensively on establishing a global presence and now owns or has a majority interest in operations in the U.K., Canada, Germany, and Benelux. Each UUNET subsidiary in these regions will be offering hosting services under the global UUNET umbrella.

With this announcement, UUNET's U.K., Germany, and U.S. operations will have the ability to offer customers web hosting at any of the three locations. UUNET's global hosting service is immediately available in the U.K. and will very soon be expanded to include Germany. Over the next several months, it will be rolled out to include other locations in Europe and Asia.

"The web is inherently a global medium," said Dave Foster, UUNET vice president and general manager, Web Services Business. "But in real life, cross-national access to web sites has often been plagued by less than optimal performance. It really makes sense to put the content closer to where the users are."

By providing customers with a single source for buying global web hosting, UUNET has greatly simplified the process of deploying web sites in multiple locations. Prior to UUNET's service offering, companies interested in putting web sites in multiple worldwide locations had to find hosting providers

or facilities in each location, negotiate agreements and install servers. In each location, companies were confronted with the issue of finding reliable Internet connectivity to the web server that is sufficiently inter-connected to serve the local market. With this announcement, UUNET has a solution to provide all of these services under a single contract.

An additional feature of the UUNET global hosting service is that all of these hosting services are provided on a single bill. Apart from the convenience this feature offers, it also provides predictability since the service will be billed in a single currency.

The first phase of UUNET's global hosting service offering provides hosting with Microsoft NT and BackOffice technology. The servers use NT 4.0, IIS 3.0, SQL Server 6.5 and Allaire's ColdFusion running on Compaq hardware.

The UUNET Web hosting service provides companies with a cost-effective means to deploy a high-performance Web site. UUNET reduces the complexities of implementing and supporting a Web site by providing a complete solution, including hardware, software, high-speed Internet connectivity, on-going management and reporting. The service also includes support for a company's own domain name (i.e., www.company.com). Web sites hosted at UUNET's state-of-the-art computer facilities are directly connected to the Internet, ensuring high performance, high reliability and a secure hosting environment.

**About UUNET Technologies**
Headquartered in Fairfax, Va., UUNET Technologies, Inc. is the world's largest provider of Internet services, offering a comprehensive range of access options, World Wide Web hosting services, security products and consulting services to businesses, professionals, and on-line service providers. The company's network is comprised of Points of Presence (POPs) throughout the United States and in Canada, Europe and the Asia-Pacific region, as well as connections to Internet service providers around the world. Founded in 1987, UUNET is recognized as the first commercial Internet service provider. UUNET is a subsidiary of WorldCom, Inc. (NASDAQ:WCOM). UUNET's World Wide Web address is http://www.uu.net.

WorldCom is a global business telecommunications company. Operating in more than 50 countries, the company is a premier provider of facilities-based and fully integrated local, long distance, international and Internet services. WorldCom's World Wide Web address is http://www.wcom.com. The common and depository shares of WorldCom trade on the Nasdaq National Market (U.S.) under the symbol WCOM and WCOMP, respectively.



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# PRESS RELEASE

**FOR IMMEDIATE RELEASE**

**CONTACT:**

**UUNET:**
Paula Jagemann
703-206-5888
paula@uu.net

**WORLDCOM:**
Josh Howell
402-231-3430

Gary Brandt
402-231-3432

**The Merritt Group:**
Jordanna M. Schweppe
202-588-5638

## UUNET DETAILS NATIONWIDE DEPLOYMENT OF IDSL TECHNOLOGY

### New Preferred AccessSM Service Delivers Affordable Leased Line Internet Access To Small Businesses

March 12,1997- Fairfax, VA - UUNET Technologies, Inc., the world's largest provider of Internet services and a subsidiary of WorldCom, Inc. (NASDAQ:WCOM),today announced the deployment schedule for its new Preferred Access service, a dedicated Digital Subscriber Line (DSL) service that delivers leased line performance for Internet access at about half the price of a fractional T1 line. UUNET is the first Internet Service Provider to make this type of service commercially available nationwide. The new service will address the needs of LAN users in small businesses or branch offices of large corporations by providing a cost-effective, dedicated Internet connection for mission critical applications. Preferred Access, initially based on UUNET's IDSL technology, allows an ISDN router to connect to the Internet with the application flexibility and stability of a leased T1 line.

While traditional ISDN and analog dial-up Internet access can support web browsing and email use, they are not designed to support Internet applications which require full-time, dedicated access. Such applications include remote LAN access and web hosting. IDSL, on the other hand, supports the full array of Internet applications. Another benefit of the IDSL technology is that the connection can be monitored end-to-end. This means higher reliability with proactive troubleshooting by UUNET, as well as the ability to gather traffic statistics to help small companies plan for growth.

The IDSL service will be supported in 117 cities throughout the US. Deployment will occur in stages. The first phase of deployment has already begun in Northern California. Over the next 90 days there will be a total of 25 cities throughout the State of California placed into service. By the end of the third quarter of this year an additional 92 cities across the country will launch the IDSL service. Additional cities will be deployed thereafter.

Preferred Access will give small businesses an uncomplicated upgrade path to higher bandwidth. Initially UUNET will offer Preferred Access 128, a dedicated, monitorable service which supports data transmission at 128 Kbps. In the future, UUNET will also offer Preferred Access 768, based on HDSL technology, offering bi-directional 768 Kbps bandwidth. By changing only the customer premises router, qualified companies can move to the higher bandwidth service.

"The innovative approach of UUNET and WorldCom, along with telecommunication deregulation, are making leased line performance and flexibility available at a substantially lower cost," said Alan Taffel, vice president of marketing and business development at UUNET. "Preferred Access 128 provides real value to the end-user; the connection uses a simple data-grade copper loop, bypasses switched voice

networks, and avoids the congestion and limitations that has plagued many dial and ISDN Internet connections."

IDSL is priced at $750 per month with a one year term commitment. The service includes DNS registration, 20 POP e-mail accounts, and 5 NNTP news readers. Local access will range from $150 to $255 per month depending on geographic location. As with all UUNET connections, Preferred Access 128 receives 24 x 7 monitoring, proactive troubleshooting, and UUNET's business-class customer support. Installation coordination, including local loop provisioning, are handled by UUNET.

**About UUNET Technologies**
Headquartered in Fairfax, Va., UUNET Technologies, Inc. is the world's largest provider of Internet services, offering a comprehensive range of access options, World Wide Web hosting services, security products and consulting services to businesses, professionals, and on-line service providers. The company's network is comprised of Points of Presence (POPs) throughout the United States and in Canada, Europe and the Asia-Pacific region, as well as connections to Internet service providers around the world. Founded in 1987, UUNET is recognized as the first commercial Internet service provider. UUNET is a subsidiary of WorldCom, Inc. (NASDAQ:WCOM). UUNET's World Wide Web address is http://www.uu.net.

WorldCom is a global business telecommunications company. Operating in more than 50 countries, the company is a premier provider of facilities-based and fully integrated local, long distance, international and Internet services. WorldCom's World Wide Web address is http://www.wcom.com. The common and depository shares of WorldCom trade on the Nasdaq National Market (U.S.) under the symbol WCOM and WCOMP, respectively.

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ATTACHMENT D

# WORLDCOM, INC.

## A Plan for Pragmatic Access Reform

**CC Docket No. 96-262**
**March 1997**

# WORLDCOM ACCESS POSITION

1. **WorldCom has a balanced, practical proposal for how to move ahead on access reform – using market-based solutions where possible.**

   [A summary of our access reform proposal is provided as Attachment A; our proposed schedule for staging access reform orders is provided as Attachment B]

   - Our plan corrects the most egregious ways that the access rate structure does not reflect cost.
   - Our plan involves only limited rate prescription now, focusing on elements that are the least susceptible to competition.
   - Our plan would not result in precipitous changes in ILEC access revenue, but it does not grant the ILECs revenue guarantees either.

2. **The WorldCom plan depends upon full implementation of local competition.**

   - Unless we can routinely replace the ILEC as the local service provider, we must pay access charges in virtually all cases. "Originating switched access" per se is not a competitive service.
   - New access rules should support the development of local competition, while recognizing that this process will take time.

3. **Meanwhile, the ILECs seek premature pricing flexibility.**

   - We generally do not oppose opportunities for ILECs to reduce access rates towards cost for all access customers.
   - We do oppose premature flexibility that would allow the ILECs to reduce charges for only selected access customers (but no one else), and to cross-subsidize services facing initial competition.

4. **The Commission should hold in reserve the "stick" of broader prescription of access rate reductions if local competition does not develop soon.**

ATTACHMENT A

# WORLDCOM ACCESS REFORM PLAN

(Summary of comments filed January 29, 1997)

# SUMMARY

## A. WorldCom's Perspective on Access Reform

- **Access reform should promote consumers' closely inter-related interests in lower long distance rates and future local competition.**
  - Access is fundamentally different from end user services: access is primarily a production input that carriers use to create end user services.
  - Today, monopoly ILEC access charges artificially inflate long distance rates for all consumers.
  - For structural reasons, "access competition" per se is not possible in ways that would reduce the access costs of stand-alone IXCs. Rather, ILECs will face pressure on their access rates only with the development of local competition, and the ability of competing carriers to supply access to local customers they have won from the ILECs.
- **Access reform should make use of competitive pressure on access rates where possible, recognizing that some access rate elements are much less subject to such pressures.**
  - Charges to end users: Incumbent LECs and new entrants will compete directly for end user business, so charges to end users are likely to become competitive -- if local competition develops.
  - Charges to carriers:

    Special access and dedicated transport -- should become competitive if the 1996 Act is implemented successfully.

    Originating switched access charges -- will remain a bottleneck for stand-alone IXCs, and will not become competitive per se. But will become avoidable to the extent IXCs can self-supply originating access through vertical integration, as full-service local and long distance carriers, or through special access.

    Terminating switched access charges -- are not likely to be subject to competition in the foreseeable future, because the party placing the call -- or that party's IXC -- has little or no ability to influence the called party's choice of local carrier.

    Bulk billed-type charges -- charges imposed whether or not a carrier uses ILEC access by definition could never become competitive.

## B. Governing Principles for Market-Driven Access Reform

1. **Local competition is the best way to discipline incumbent LECs' access rates and achieve long-term access reform.**

   - In the short run, the Commission must make rate structure reforms that facilitate local competition, and prescriptive rate level changes targeted to rates that will not be subject to competitive pressure. Comprehensive rate level prescriptions can be avoided initially.

   - In the somewhat longer term, the Commission should use both "carrots" and "sticks" to induce the incumbent LECs to provide interconnection and unbundled network elements at reasonable rates, terms, and conditions.

     > The "carrot": incumbent LECs that have fully satisfied the competitive checklist should be allowed certain forms of pricing flexibility.

     > The "stick": if an incumbent LEC has not fully satisfied the checklist by a date certain, the Commission should proceed with aggressively prescriptive access rate reductions.

2. **No incumbent LEC revenue stream should be guaranteed or shielded from competition.**

   - A guaranteed revenue stream would be inconsistent with market-based access reform; it would eliminate competitive discipline for such revenues, and thus perpetuate above cost access charges.

   - It would also create a formidable barrier to entry, giving incumbent LECs a revenue stream not available to their competitors that they could use to cross-subsidize competitive services.

   - Under the 1996 Act, the incumbent LECs have no legal right or policy basis for guaranteed recovery of past investments.

3. **The Commission must be vigilant to prevent discrimination and other anti-competitive conduct by the incumbent LECs during the transition to competition.**

   - During the transition period, the Commission must not allow forms of pricing flexibility that would enable incumbent LECs to discriminate in favor of their affiliates or other favored customers, thus forestalling local competition without bringing overall access rates closer to cost.

   - Such discriminatory forms of pricing flexibility include contract tariffs, competitive response tariffs, additional authority for volume discounts or discounts for terms longer than 3 years, or deregulation of "new" services.

## C. Recommended Baseline Access Rate Structure and Rate Level Changes to Set the Stage for Local Competition.

- **Rate Structure**:
  Recover the costs of dedicated facilities through non-traffic sensitive, flat rates:

  - Subscriber loops:

    > Eliminate the per-minute carrier common line charge.

    > Eliminate the cap on the subscriber line charges for all lines, or at least for business and additional residential lines.

    > Recover any remaining loop costs as flat rate from IXCs; forbear on Section 254(g) to permit IXCs to recover on a geographically deaveraged basis.

  - Line-side port component of local switching: Flat rate charge either on end users or on IXCs (with forbearance on Section 254(g)).

- **Rate Level**:

  Initial prescriptive rate level changes should be focused on elements least subject to competitive pressure. We recommend that the Commission initially set rates based on forward-looking economic costs only for the following:

  - Terminating Local Switching -- because terminating switched access rates are least likely to become subject to competitive pressure.

  - Tandem Switching -- in response to the CompTel v. FCC remand.

  - Line-Side Port Component of Local Switching -- to initialize a new rate element and adjust the per-minute charge accordingly.

- **Transport Interconnection Charge**:

  - Eliminate the TIC immediately, or as soon as possible.

  - Take first from the TIC all access rate reductions due to universal service, price caps, and end of equal access reconfiguration amortization; remove SS7 costs, retail marketing costs, and costs of non-regulated facilities from the TIC.

  - Modify the rate structure of any residual TIC to be a flat rate charge per presubscribed line.

## D. Manage the Transition to Competition By Offering Incentives to ILECs

- Phase I -- "Potential Competition": Incumbent LECs that are providing unbundled network elements under pro-competitive terms and conditions and at forward-looking cost based rates, and that fully comply with other prerequisites to local competition, should be permitted certain forms of pricing flexibility:

  - At Phase I, permit: geographic deaveraging of all access services; term discounts of no more than 3 years; streamlined regulation of truly new services (that cannot be substituted for existing access services).

  - Do not permit: contract tariffs; competitive response tariffs; additional authority for volume discounts or discounts for terms longer than 3 years; or deregulation of services that can be substituted for existing services.

  - Competitively neutral universal service mechanisms should be fully implemented and the TIC should be eliminated before Phase I measures are allowed.

- Phase II -- "Substantial Full-Service Competition": Incumbent LECs that can show an economically substantial degree of full-service competition, measured using the Herfindahl-Hirshman Index, should be allowed additional pricing flexibility.

  - But the Commission should not deregulate the rate structure rules for dominant ILECs (especially for terminating access).

  - The Commission could consider subdividing Phase II into two intermediate phases ("emerging full service competition" and "substantial full service competition"). Such distinctions could permit a more tailored approach to further ILEC rate regulation.

- If an incumbent LEC has not fully complied with the checklist of local competition prerequisites by Jan. 1, 1999, the Commission should prescribe all of its access rates based on forward-looking economic cost.

## E. Retain the Rule that Information Service Providers Need Not Pay Interstate Carrier Access Charges.

**ATTACHMENT B**

# STAGING ACCESS REFORM ORDERS

(A proposed schedule for access reform)

# A PRACTICAL PLAN FOR ACCESS REFORM

## Stage One: First Order in April 1997; ILECs Implement July 1997

- **Correct most egregious ways that the access rate structure does not reflect cost.**

- **Make access subject to competitive pressure, while prescribing rate reductions for elements least susceptible to competition.**

A. Subscriber loop and local switching rate structure changes.

1. Eliminate per minute CCL, and recover all subscriber loop costs through either increased SLC or flat rate charge to carriers with Section 254(g) forbearance.

2. Establish flat rate charge for line-side switch port; set rate based on TELRIC times interstate allocation.

3. Set rate for terminating local switching at TELRIC; remaining local switching revenues recovered through originating local switching (residual, if any, recovered on per originating line basis).

Result: Moves rate structure closer to cost. Recognizes that terminating service cannot be competitive.

B. Begin elimination of the TIC.

1. Adopt easiest rate level fixes (e.g., universal service rate reductions, to be implemented in same time frame, come first out of the TIC).

2. Change rate structure to flat rate per presubscribed line.

3. Important: ILECs may not impose TIC when they are not the end user's local carrier.

Result: Imposes competitive pressure on the TIC now, while deferring further action to prescribe TIC reductions.

C. Re-initialize tandem switching rates at TELRIC.

Result: Responds to D.C. Circuit order. Reduces discrimination in transport options between common and dedicated.

D. No changes to common transport rate structure options.

Result: Leaves in place status quo that is working; avoids need for prescription of transport at TELRIC now.

- **Define Phase I ("Potential Competition") Pricing Flexibility and Specify Initial Triggering Requirements for that Phase.**

Problem: The ILECs are seeking far too much flexibility given the continuing dependence of IXCs on ILEC access at Phase I, as well as the rising incentives for ILEC discrimination and cross-subsidization.

This work could be put off to the second access reform order if time runs short because ILECs are not near reaching the proposed triggers.

---

**Pro-Competitive Results Of Access Reform Order #1**

- Substantial improvement in access cost structure.
- Harmonizes with changes required this spring for universal service reform.
- Access customers begin to have an opportunity to reduce their access costs over time as they become local service providers themselves.
- No precipitous change in ILEC access revenue, but no revenue guarantees either. Sets stage for ILECs to face competitive pressure in the future.

## SUBSEQUENT STAGES OF ACCESS REFORM

**Second Order: Adopted Fall 1997; ILECs Implement January 1998**

1. Conclude 4th NPRM in Price Caps to lower overall rate levels based on pro-efficiency incentives created by price cap system.

2. Complete any remaining changes to the TIC; establish a transition to eliminate the TIC altogether.

3. Act on any remaining rate structure issues.

4. Resolve reconsideration of issues from first order based on developing experience with interconnection and local competition.

**Third Order: Adopted Early 1998; Implementation Based on ILEC Performance and Competitive Conditions**

1. Establish principles for reduction in ILEC access price regulation based on the presence of actual local competition in the market.

Note: These decisions must recognize that ILEC incentives to discriminate and cross-subsidize will remain strong for some time. The most dangerous and difficult problem will be the ILECs' push for premature use of contract pricing to block competitors while avoiding the need for general access rate reductions.

2. Hold out the "stick" of further prescriptions if local competition fails to develop quickly. In that case lower access charges, and therefore lower long distance rates, will come only through FCC mandates.

3. Address ISP/ESP access issues based on NOI record and further experience. Resolution should be somewhat simpler if local competition is succeeding in bringing rates toward cost.

## CERTIFICATE OF SERVICE

I, Cecelia Y. Johnson, hereby certify that I have this 24th day of March, 1997, sent a copy of the foregoing "Comments of WorldCom" by hand delivery to the following:

William F. Caton (original and 16 copies)
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Regina Keeney
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Competitive Pricing Division (2 copies)
Common Carrier Bureau
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Janice Myles (one copy, plus on computer disk w/ cover letter)
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554

International Transcription Service, Inc.
2100 M Street, N.W.
Suite 140
Washington, D.C. 20037

Cecelia Y. Johnson